### Budget Control Act Contained Budget for 2012 and 2013

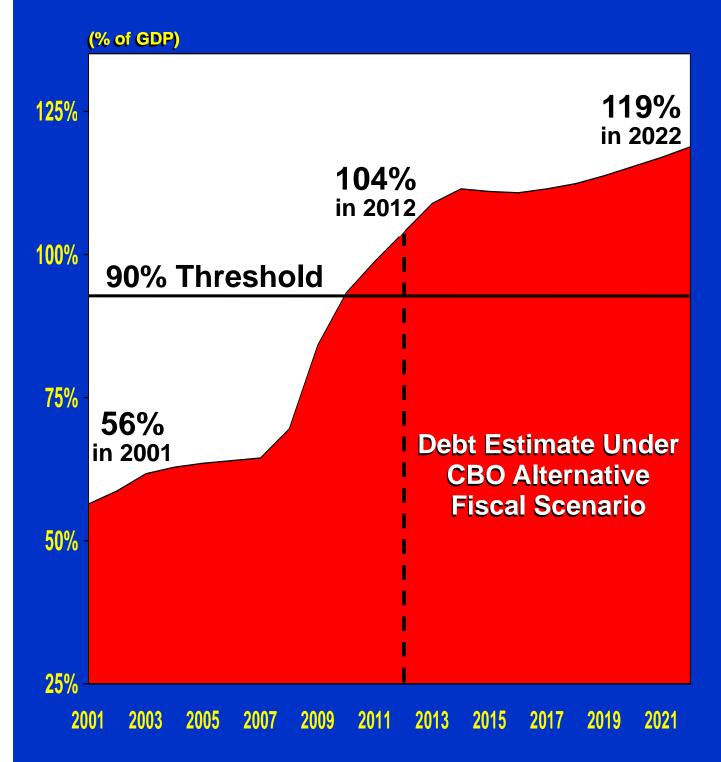
#### SEC. 106. SENATE BUDGET ENFORCEMENT.

- (a) IN GENERAL.—
- (1) For the purpose of enforcing the Congressional Budget Act of 1974 through April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(1) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2012 with appropriate budgetary levels for fiscal years 2011 and 2013 through 2021.
- (2) For the purpose of enforcing the Congressional Budget Act of 1974 after April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(2) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2013 with appropriate budgetary levels for fiscal years 2012 and 2014 through 2022.

#### U.S. Borrowing Almost 40 Cents of Every Dollar It Spends



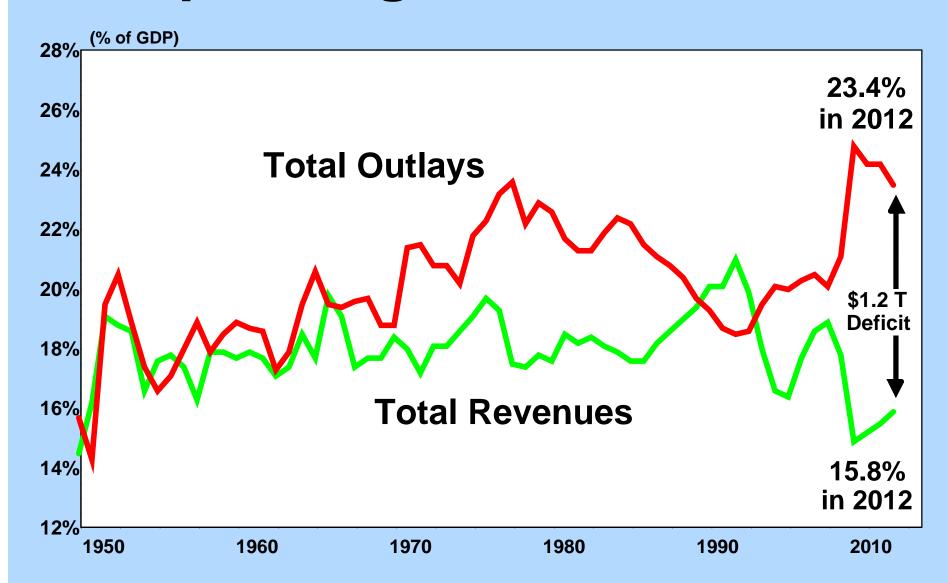
#### Gross Debt as % of GDP Under CBO Alternative Fiscal Scenario



Sources: CBO and SBC

Note: CBO's March 2012 baseline, adjusted to reflect its alternative fiscal scenario: extension of 2001 and 2003 tax cuts, tax extenders, AMT reform, SGR reform, and reversal of automatic spending reductions required by Budget Control Act.

#### **Spending and Revenues**



Sources: OMB, CBO

Note: 2012 estimate from CBO's March 2012 baseline.

### Public Supports Balanced Deficit Reduction Approach

QUESTION: What is the best way to reduce

the federal budget deficit?

**ANSWER:** Cut major programs 17%

Increase taxes 8%

Combination of both 62%

Source: Pew Research Center, November 9-14, 2011



#### THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

The Moment of Truth

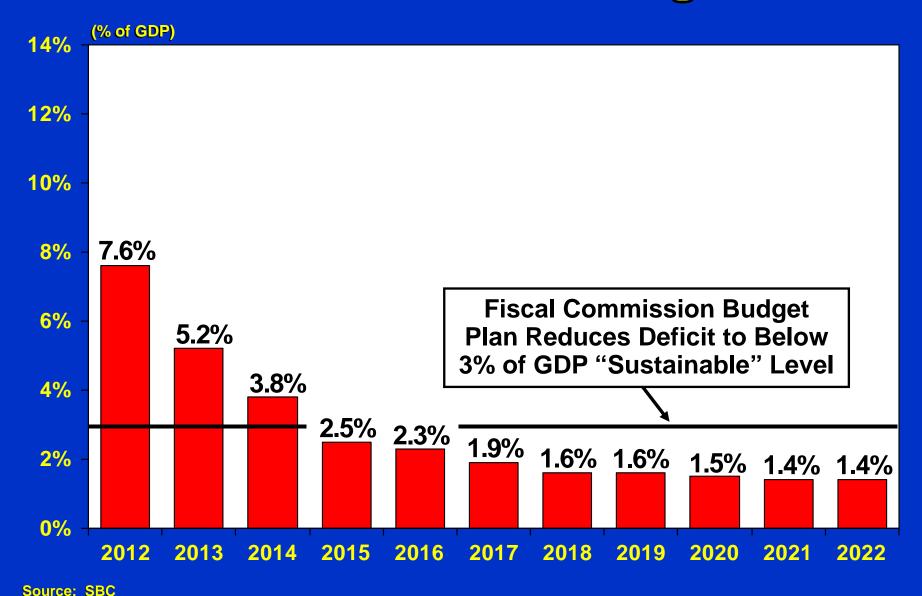
DECEMBER 2010



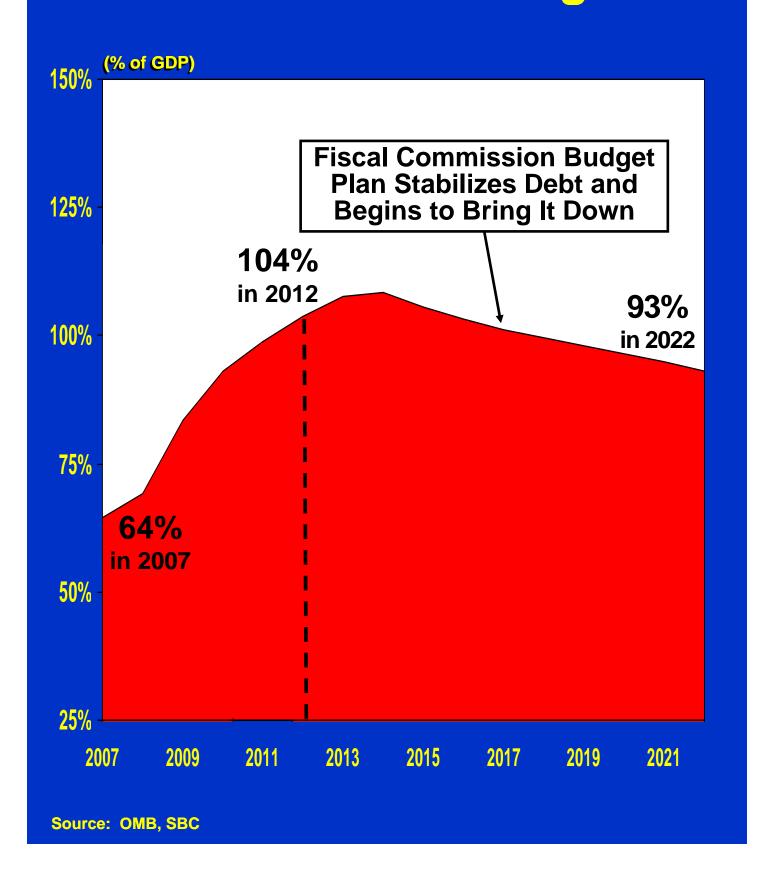
#### Overview of Fiscal Commission Budget Plan

- \$5.4 T in deficit reduction over 10 years, including savings already enacted
- Lowers deficit from 7.6% of GDP in 2012 to 2.5% in 2015 and 1.4% in 2022
- Stabilizes gross debt by 2015 and lowers it to 93% of GDP by 2022
- Reduces overall spending to 21.9% of GDP by 2022; discretionary spending to 4.8% of GDP by 2022
- Builds on health reform with additional health savings; fully offsets "Doc fix"
- Calls for Social Security reform that ensures 75-year sustainable solvency; savings only to extend solvency, not for deficit reduction
- Includes fundamental tax reform makes tax code simpler, fairer, and more efficient, while raising more revenue

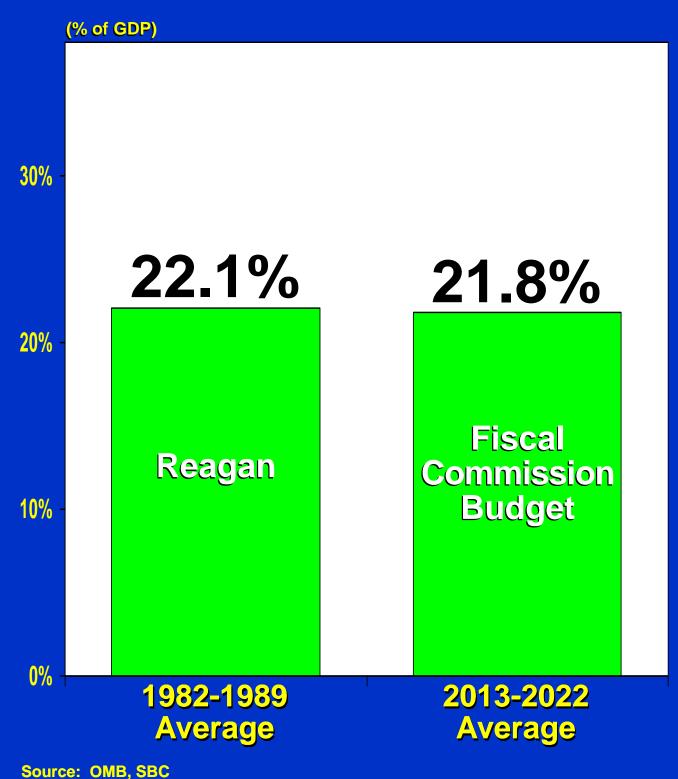
#### Deficit as Percent of GDP Under Fiscal Commission Budget Plan



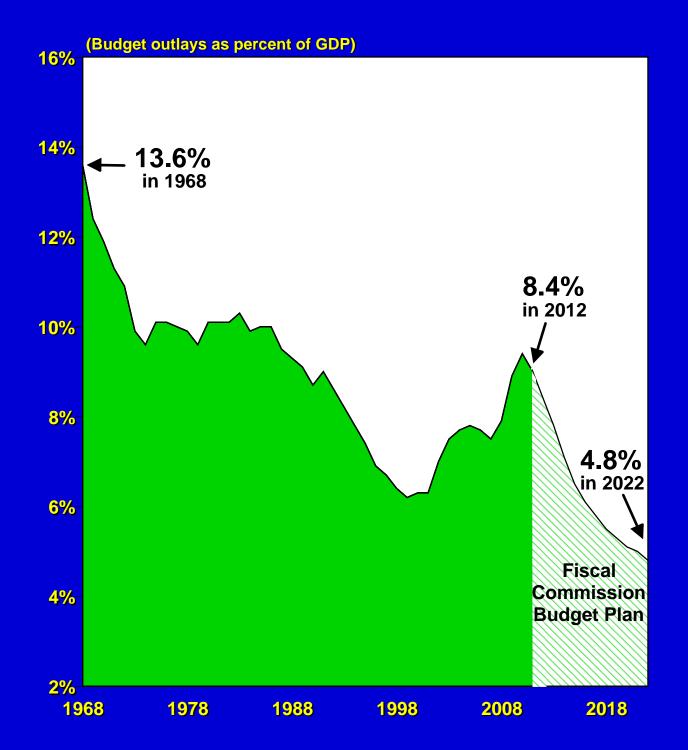
#### **Gross Debt as % of GDP Under Fiscal Commission Budget Plan**



# Reagan vs. Fiscal Commission Budget Plan Spending Comparison



## Fiscal Commission Budget Plan Drops Discretionary Spending to Historic Low



Source: OMB, SBC

### Health Care Provisions in Fiscal Commission Budget Plan

- Does not re-open health reform debate
- Phases out tax exclusion for health care
- Fully offsets cost of "Doc fix"
- Savings proposals
  - Medicare beneficiary cost-sharing
  - Payments to health care providers
  - Eliminate state gaming of Medicaid tax
  - Medicaid drug rebate for "duals" in Medicare

The Congressional Budget Act of 1974 prohibits inclusion of Social Security in deficit totals of a budget resolution.

#### Fiscal Commission Budget Plan Policy Statement on Social Security

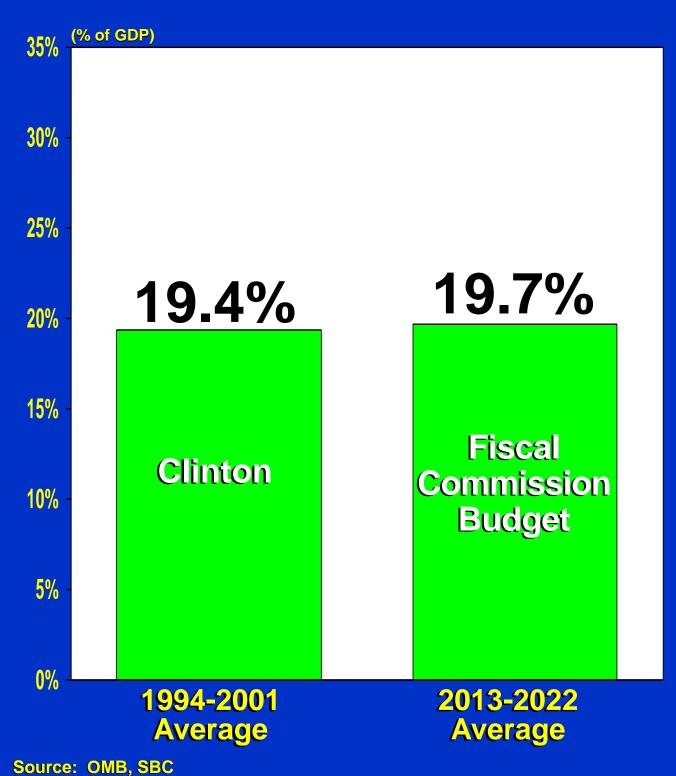
It is the policy of this resolution that Congress should work on a bipartisan basis to make Social Security sustainably solvent over 75 years. Legislation shall include the following proposals:

- move to more progressive benefit formula
- provide enhanced minimum benefit for low-wage workers
- enhance benefits for elderly and long-time disabled
- increase early and full retirement age based on longevity
- provide flexibility for retirees to claim portion of their benefit at age
  62 and remainder at full retirement age, add hardship exemption
- gradually restore taxable maximum to cover 90% of wages by 2050
- adopt Chained CPI for Social Security, other benefit programs, taxes
- cover newly hired state and local workers after 2022
- direct the SSA to better inform future beneficiaries on retirement options
- begin broad dialogue on importance of personal savings

### Tax Reform in Fiscal Commission Budget Plan

- Eliminates or scales back tax expenditures, and *lowers* rates
- Promotes economic growth and improves America's global competitiveness
- Makes tax code more progressive
- "Illustrative" tax reform plan:
  - Three rates for individuals 12%, 22%, 28%; corporate rate of 28%
  - Capital gains / dividends taxed as ordinary income
  - Reforms mortgage interest and charitable deductions
  - Preserves Child Tax Credit and EITC
  - Repeals AMT
- Revenues grow to 20.5% of GDP by 2022

# Clinton vs. Fiscal Commission Budget Plan Revenue Comparison



# Longest Period of Uninterrupted Economic Growth in U.S. History: 1991-2000

- 39 quarters of economic growth
- 24 million jobs created
  - Best record ever